

Dreaming of a home of your own?

Do you have questions on the process?

Look inside for some answers . . .

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Montana Board of Housing
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Buying a Home

Q: I want to own my own home. How can Montana Board of Housing help me?

A: Montana Board of Housing (MBOH) provides funds for financing homes for many Montana families.

Q: How do I apply?

A: Local banks and real estate lenders around the state take the applications, do the credit analysis, and close the loans. Then MBOH buys the loan from the lender.

Q: What kind of loans does MBOH offer?

A: MBOH loans are FHA insured, VA– or RD– guaranteed loans that have a low rate of interest, and no discount points and no origination fees.

Q: How much cash will I need to have in order to buy a home?

A: The downpayment and closing costs usually range from zero to 3% of the purchase price.

Q: Will my rate change if my income goes up?

A: No, the rate is fixed for the term of the thirty-year loan.

Q: Can I pay the loan off early?

A: Yes, the loan can be paid in full at any time with no prepayment penalties.

Q: If I decide to sell my home, can my loan be assumed?

A: Yes, if the buyer meets the same requirements that you did (such as, meeting the income limit, first-time homebuyer, etc.).

Eligibility for a Loan

Q: Why does Montana Board of Housing have requirements?

A: Montana Board of Housing is a State Agency, but does not get any state or federal funds or backing. It issues tax-exempt bonds, which gives loans with a fixed rate and 30-year term. Due to the tax-exempt nature of the bonds, the IRS restricts the use of the funds.

Q: What restrictions are imposed by the IRS?

A: There are seven:

1. There are maximum income limits;
2. There are maximum purchase price limits;
3. You must not have owned a home in the past three years, except certain targeted areas (the “first-time homebuyer” rule);
4. You will need to live in the property; it cannot be a rental;
5. No more than 15 percent of the area of the residence can be used for business purposes;
6. A Recapture tax may be imposed by IRS if you sell the property within nine years and your income has increased significantly.
This is to recapture some of the assistance you received from the lower interest rate; and
7. The mortgage loan must be a new loan with the exception of construction loans or other interim financing, not to exceed 24 months.

Q: What are the maximum income limits?

A: The limits vary according to household size and area. See the back panel for the current list. .

Q: What are the maximum purchase limits?

A: The most you can spend on an existing house is \$160,176, and \$189,682 for new construction. The maximum loan amount is \$160,176.

Q: I already own a mobile home on a rented lot. Am I considered a first-time homebuyer?

A: Definitely. The tax code specifically exempts prior ownership of factory-made housing that is not permanently affixed to land from the first-time homebuyer rule.

Q: Why can't I rent the property?

A: IRS restricts the use of the funds to provide home ownership, not investments:

Q: What if I get a job transfer and can't afford two payments while selling my house?

A: The IRS rules allows MBOH to grant temporary waivers that a property can be rented in hardship cases.

Q: I would like to provide a day care service in my home. Would that be allowed?

A: No more than 15% of the area of the house may be used for a home business. If you use a defined portion that is not more than 15% for the day care services, it will be acceptable.

Q: How can I tell if I would have to pay a recapture tax on the sale of my home?

A: In order to be subject to a recapture tax, all three of the following must apply:

1) sell your home within the first nine years, 2) have a substantial increase in income, and
3) see a large profit on the sale of your home. There are a number of situations in each of these scenarios that could reduce or eliminate the tax entirely.

Q: I have no credit, or poor credit. How can I ever become a homeowner?

A: Homebuyer education is available statewide through partnerships with local housing agencies and non-profit organizations. These classes offer tools to build or repair your credit so you can work towards homeownership while developing long-term financial fitness. Successfully completing the classes can help you qualify for various loans and/or grants for down payment and closing costs, as well. Your lender can put you in contact with the next available class.

Q: I'm able to make a loan payment, but am having a hard time saving money necessary for the down payment and closing costs. Is there any help for families in my situation?

A: Yes! There are various programs statewide that can provide assistance with down payments, closing costs, and more. Ask your lender about the Montana HomeOwnership Network, the HomeStart Savings Program, RD-leveraging and other programs specific to your local area.

Q: I've been looking for an affordable home, and heard that lender-owned properties are often available. Where do I find them?

A: Real estate agents are an excellent source of information on affordable homes, including those offered by HUD, VA, FannieMae, MBOH and others.

For more information, please contact your local lender, call us at 406-841-2840, or check out our website www.housing.state.mt.us

Alternative accessible formats of this document will be provided upon request by calling 406-841-2840 or TDD 406-841-2702

Maximum income limits

as of February 17, 2004

County or Area	Household of 1 or 2	Household 3 or more
(Areas shown with * are targeted areas)		
Billings/Yellowstone	\$53,600	\$61,640
Billings Census Tract 3*	\$64,320	\$75,040
Blaine*	\$57,000	\$66,500
City of Great Falls*	\$57,000	\$66,500
Chouteau –		
Census Tract 9401*	\$57,000	\$66,500
Daniels –		
Census Tract 9402*	\$57,000	\$66,500
Deer Lodge*	\$57,000	\$66,500
Flathead County*	\$57,000	\$66,500
Gallatin County	\$56,000	\$64,400
Hill County*	\$57,000	\$66,500

Jefferson County	\$53,200	\$61,180
Lewis & Clark County	\$55,000	\$63,250
Mineral County*	\$57,000	\$66,500
Missoula County*	\$63,360	\$73,920
Rosebud County	\$47,900	\$55,085
Sanders County*	\$57,000	\$66,500
Sheridan-		
Census Tract 9402*	\$57,000	\$66,500
Silver Bow County*	\$57,000	\$66,500
Stillwater County	\$58,900	\$67,735
All other		
counties and areas	\$47,500	\$54,625

